

# Hospital Quarterly Data Trends

No. 1, November 1997



## Preface

Financial and utilization data are submitted on a quarterly basis by California hospitals to the Office of Statewide Health Planning and Development (Office). The data collected through this program can be used by consumers, government agencies, hospital administrators, legislative analysts, media representatives, and others who are interested in obtaining information to determine the financial status of California hospitals, as well as emerging utilization patterns.

*Hospital Quarterly Data Trends*, the first in a series, summarizes data for the four calendar quarters ending March 31, 1997, and, using charts, compares it with the data for quarters ending in the month noted.

## Summary

Comparing the four quarters ending March 31, 1997 with the same period the year before, hospital gross patient revenue increased by 5.6%. Net patient revenue increased by 2.9%, total patient days decreased by 2.0%, and total outpatient visits increased by 3.4% between these two periods.

While net patient revenue increased by 2.9%, total operating expenses increased only 1.1%. As a result, net income from operations increased by 133.2%. Including non-operating revenue and expense, pre-tax income increased 46.9% from the prior period.

The statewide average length of stay (ALOS) for inpatients was 5.6 days compared to 5.7 days in the prior period.

There is variability in the ALOS from region to region: Los Angeles County had an ALOS of 5.9 days, while the central region of the State had an ALOS of 5.2 days.

## Financial Indicators

### *Total Gross Patient Revenue*

Total gross patient revenue (billed charges) for this period for both inpatient and outpatient services reached \$66.0 billion, up from \$62.5 billion for the corresponding period last year, an increase of 5.6%. The rate of change for gross outpatient revenue is almost double that of gross inpatient revenue (8.0% to 4.8%, respectively), as the trend of providing more services on an outpatient basis continues. At the same time, Medicare gross patient revenue increased by 4.1%, while Medi-Cal gross patient revenue decreased by 1.9%, and other third party gross patient revenue increased by 12.7%. The large increase in other third party gross patient revenue could be due to increases in the amount of managed care or private insurance, both of which are components of this category.

### *Deductions from Revenue*

Deductions from revenue represent the amounts billed for patient services that are not received by the hospital. For example, a hospital may bill a payer \$5,000 for services, but is paid only \$3,000, the contracted amount for those services. The \$2,000 difference is a deduction from revenue. For this period, deductions from revenue totaled \$37.5 billion, an increase of

7.8% over the same period of the previous year. Components of deductions from revenue include contractual adjustments, disproportionate share payments, capitation premium revenue, bad debt, charity (including Hill-Burton and Other), and indigent care.

The largest component of deductions from revenue was other third party payers contractual adjustments, at \$14.9 billion, an increase of 21.0% over the previous year. Medicare and Medi-Cal deductions from revenue were \$11.9 billion and \$9.1 billion, respectively.

### ***Net Patient Revenue***

The amount of billed charges actually received by hospitals is the net patient revenue. During the year ending March 31, 1997, net patient revenue increased by \$792 million, from \$27.7 billion to \$28.5 billion, an increase of 2.9%. Because deductions from revenue increased at a faster rate than gross patient revenue (5.6%), the percentage change of net patient revenue was less than that of gross patient revenue.

### ***Operating Expenses***

During this period, operating expenses increased by 1.1%, from \$28.3 billion to \$28.6 billion, while the number of outpatient visits increased by 3.4%, from 37.6 million to 38.9 million and patient days decreased by 2.0%, from 16.4 million to 16.1 million. This shows that a greater volume of patients was seen at a proportionately smaller cost to hospitals, which could be due to a couple of factors: (1) hospitals have improved the efficiency of their operations, and/or (2) the greater ratio of outpatients to inpatients results in a lower cost relative to volume.

### ***Net Income from Operations***

Net income from operations increased by \$480.8 million, from \$361.0 million to \$841.8 million, an increase of 133.2%, the largest increase seen in recent years. This is due to total operating revenue increasing by a greater amount than operating expenses (a \$794.7 million increase compared to a \$313.9 million increase, respectively).

## **Utilization Indicators**

### ***Discharges & Patient Days***

Inpatient activity is primarily measured by discharges and patient days. During the four quarters ending March 31, 1997, discharges increased by 0.5% and patient days decreased by 2.0% over the previous four quarters. These indicators are consistent with the trend toward greater outpatient services.

### ***Length of Stay***

Average length of stay (ALOS), the average time an inpatient remains in the hospital, has been declining for the past five years. For the period ending March 31, 1997, the average length of stay declined to 5.6 days, from 5.7 days for the corresponding period in 1996. However, it should be noted that this measure varies somewhat from region to region: Southern California counties, excluding Los Angeles County, had an average length of stay of 5.3 days, while Los Angeles County had an ALOS of 5.9 days. The San Francisco Bay Area counties had an ALOS of 5.8 days, and the central region had an ALOS of 5.2 days. The northern California counties had an ALOS of 5.7 days.

## **Technical Notes**

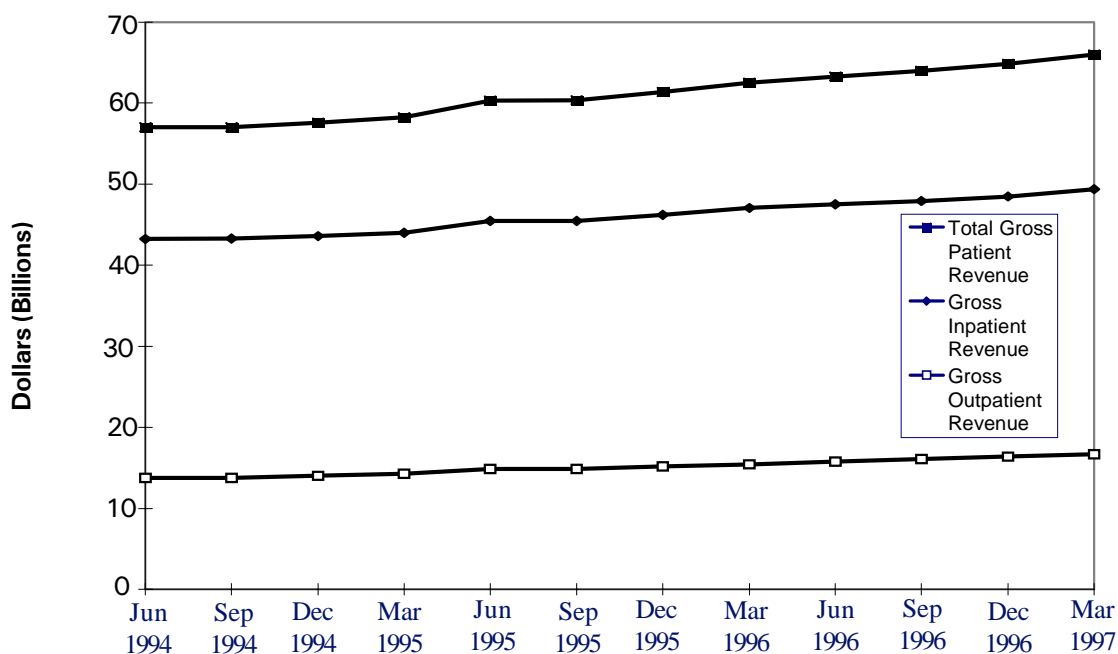
### ***Noncomparable Facilities & Data Used***

Although 561 hospitals submitted quarterly disclosure reports during the last two years, data from only 501 hospitals are considered comparable. Noncomparable hospitals fall into one of five categories: Prepaid Health Plan Hospitals, State Hospitals, Psychiatric Health Facilities, Long-term Care Emphasis Hospitals, and Other.

The graphs following this introduction are based on data from comparable facilities only, using data from the four quarters ending in the month noted. More detailed quarterly information can be found in the following OSHPD publications: *Quarterly Aggregate Hospital Financial Data for California*, and *Quarterly Individual Hospital Financial Data for California*.

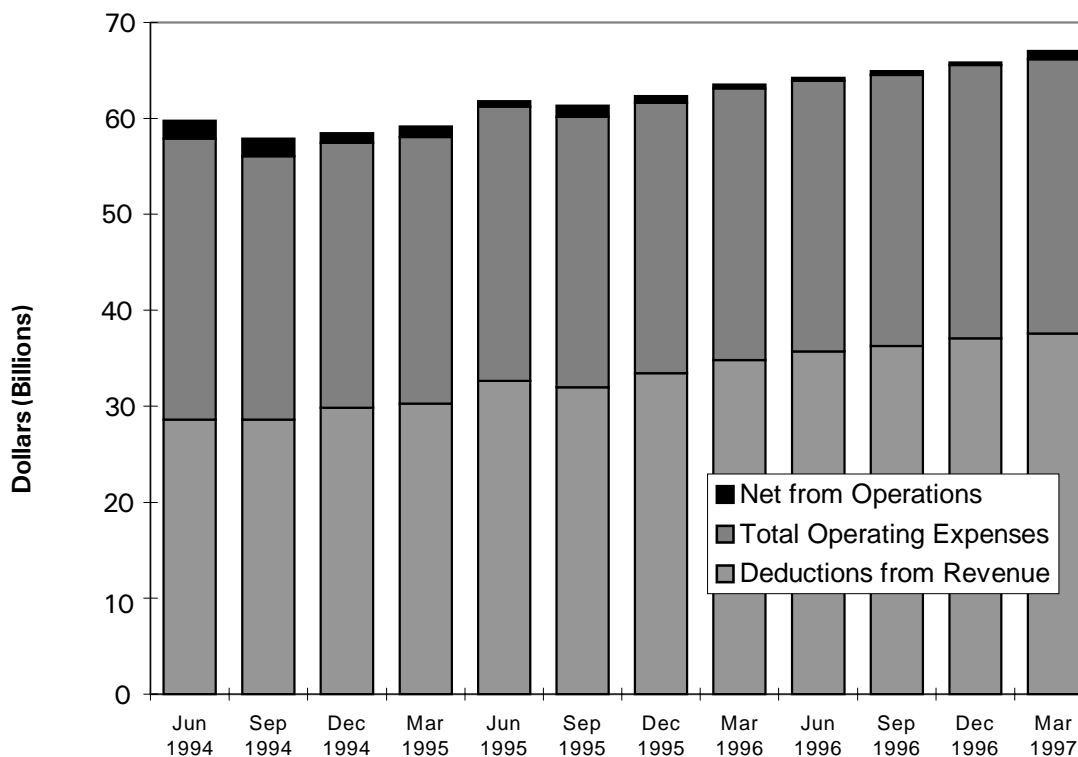
### Total Gross Patient Revenue

*For the four quarters ending in the month noted*



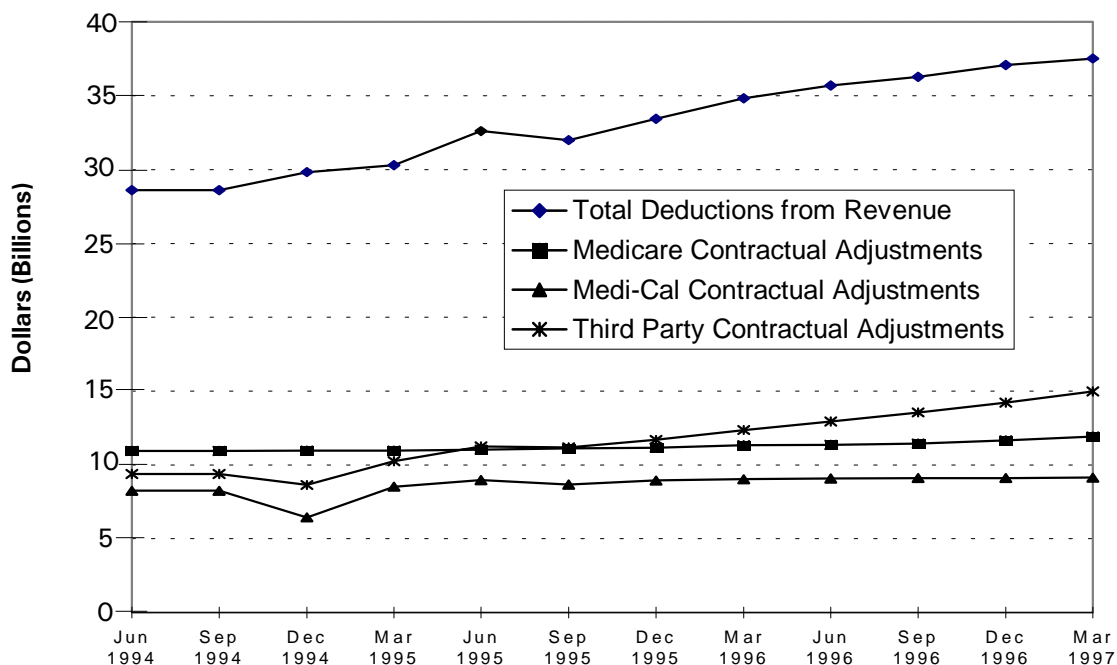
### Components of Gross Patient Revenue

*For the four quarters ending in the month noted*



### Selected Deductions from Revenue

*For the four quarters ending in the month noted*

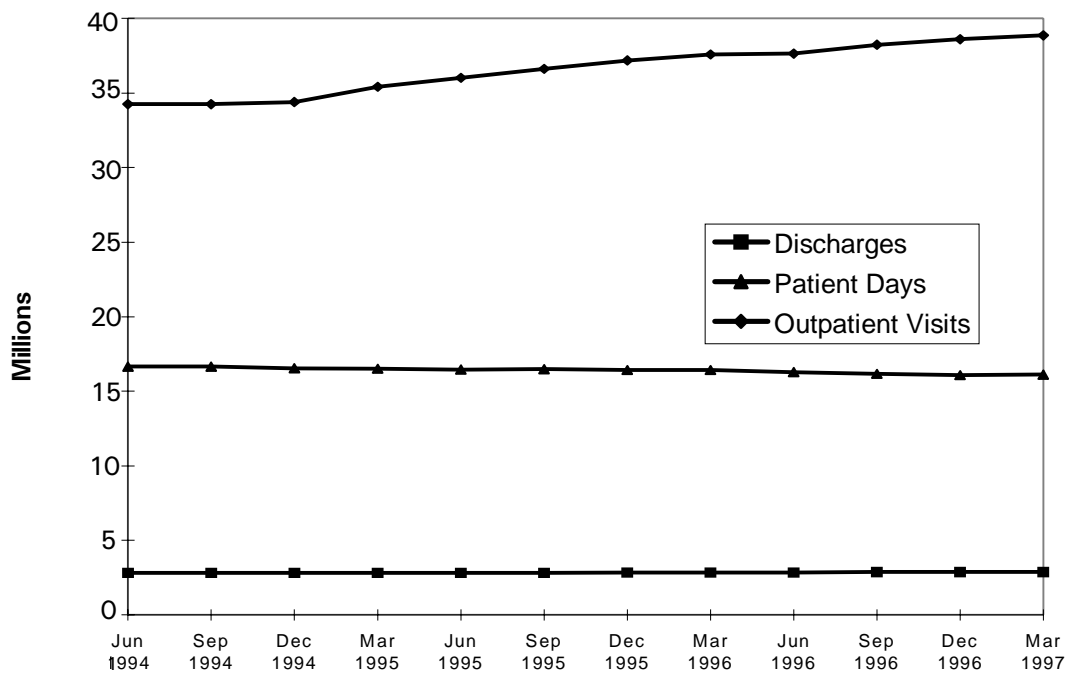


### Deductions from Revenue by Component

	Four Quarters Ending 3/31/96	Four Quarters Ending 3/31/97	Percent Change
Medicare Contractual Adjustments	\$11,330,841,389	\$11,908,851,238	5.1
Medi-Cal Contractual Adjustments	9,019,416,663	9,131,725,970	1.2
Medi-Cal Disproportionate Share Payments	-1,328,130,193	-1,897,169,459	42.8
County Indigent Prog. Contractual Adj.	2,090,806,548	2,136,741,454	2.2
Other Third Party Payer Contractual Adj.	12,358,398,387	14,958,846,851	21.0
Bad Debts	1,206,096,339	1,172,401,049	-2.8
Charity-Hill Burton & Other	597,136,317	566,664,441	-5.1
Gifts/Subsidies for Indigent Care	-16,519,035	-18,429,824	11.6
Other Deductions	-438,556,769	-418,192,466	-4.6
Total Deductions from Revenue	\$34,819,489,646	\$37,541,439,254	7.8

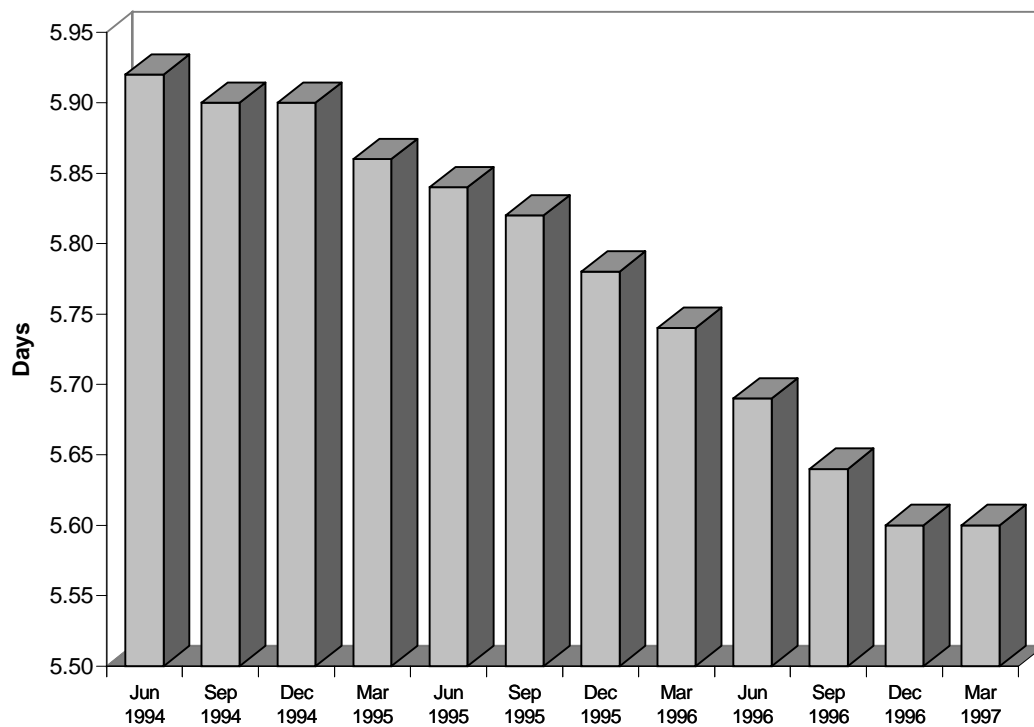
### Patient Days, Discharges, & Outpatient Visits

*For the four quarters ending in the month noted*

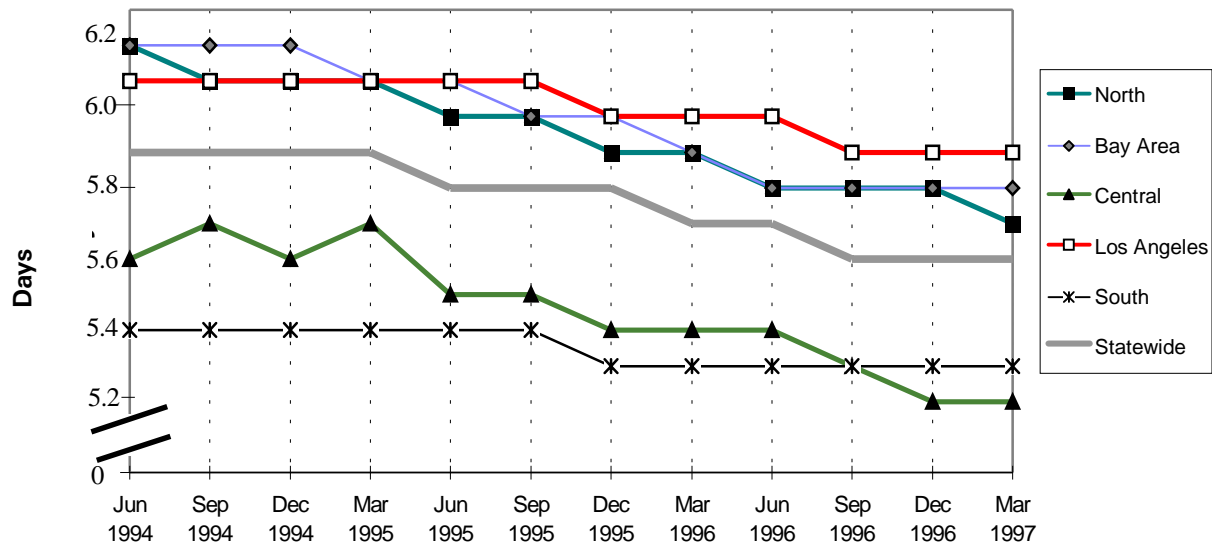


### Average Length of Stay, Statewide

*For the four quarters ending in the month noted*



### Average Length of Stay, by Region For the four quarters ending in the month noted



### Counties by Region



Regional break-outs of counties mirror that of the *Quarterly* publication. The northern region includes Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Merced, Modoc, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tuolumne, Yolo, and Yuba counties.

The Bay Area region includes Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma counties.

The central region includes the counties of Fresno, Inyo, Kern, Kings, Madera, Mariposa, Mono, Monterey, San Benito, San Bernardino, San Luis Obispo, Santa Barbara, Tulare, and Ventura.

The Los Angeles region includes the county of Los Angeles only, and the southern region includes Imperial, Orange, Riverside, and San Diego counties.

<b>Financial and Utilization Indicators</b>				
	<i>Four Quarters Ending</i>			<b>Percent</b>
	<b>3/31/96</b>	<b>3/31/97</b>	<b>Change</b>	<b>change</b>
<b>Gross Patient Revenue</b>				
Inpatient	\$47,089,346,161	\$49,364,908,480	\$2,275,562,319	4.83
Outpatient	\$15,435,980,447	\$16,674,425,575	\$1,238,445,128	8.02
Total Gross Patient Revenue	\$62,525,326,609	\$66,039,334,055	\$3,514,007,446	5.62
Medicare	\$20,430,346,782	\$21,261,464,264	\$831,117,482	4.07
Medi-Cal	\$13,229,500,347	\$12,982,695,055	-\$246,805,292	-1.87
Third Party	\$23,260,586,623	\$26,206,291,713	\$2,945,705,090	12.66
<b>Deductions from Revenue</b>				
Medicare Contractual Adjustments	\$11,330,841,389	\$11,908,851,238	\$578,009,849	5.10
Medi-Cal Contractual Adjustments	\$9,019,416,663	\$9,131,725,970	\$112,309,307	1.25
Third Party Contractual Adjustments	\$12,358,398,387	\$14,958,846,851	\$2,600,448,464	21.00
Other Deductions	\$2,110,833,207	\$1,542,015,195	-\$568,818,012	-27.04
Total Deductions from Revenue	\$34,819,489,646	\$37,541,439,254	\$2,721,949,608	7.82
<b>Net Patient Revenue</b>	\$27,705,836,962	\$28,497,894,801	\$792,057,839	2.86
Other Operating Revenue	\$983,766,061	\$986,457,772	\$2,691,711	0.27
Total Operating Revenue	\$28,689,603,023	\$29,484,352,573	\$794,749,550	2.77
Operating Expenses	\$28,328,600,971	\$28,642,503,750	\$313,902,779	1.11
Net from Operations	\$361,002,052	\$841,848,823	\$480,846,771	133.20
Pre-tax Net Income (Loss)	\$1,499,217,386	\$2,202,140,097	\$702,922,711	46.89
<b>Utilization Indicators</b>				
Discharges	2,859,775	2,874,007	14,232	0.50
Outpatient Visits	37,579,754	38,863,105	1,283,351	3.42
Patient Days	16,436,509	16,109,717	-326,792	-1.99
Length of Stay	5.7	5.6	-0.1	-1.75

Source: Office of Statewide Health Planning &amp; Development, November 1997

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